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Voluntary Public

Date: 9/3/2015

GAIN Report Number: RS1562

Russian Federation

Post: Moscow

Russian Agricultural Policy and Situation Bi-Weekly Update 14

Report Categories:

Agriculture in the News

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Report Highlights:

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General Information:

Welcome to the Russian Agricultural Policy and Situation Bi-Weekly Update, a summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within Russia, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

New Orders of the Russian Government on Distribution of Federal Agricultural Subsidies to Provinces:

On August 18, 2015, the GOR issued six new Orders on the distribution of agricultural subsidies among provinces:

- GOR Order No.1586-p of August 18, 2015, on distribution of 7.07 billion rubles to provinces for partial compensation of interest rate on short-term loans for processing of products of plant and animal origin. The subsidies are allocated within the framework of the sub-program “Development of wholesale distribution centers and infrastructure for social nutrition” (<http://government.ru/docs/19321/>);
- GOR Order No. 1585-p of August 18, 2015 on distribution of 0.3 billion rubles to provinces for partial compensation of interest rates on short-term loans for development of dairy farming (<http://government.ru/docs/19316/>);
- GOR Order No. 1588-p of August 18, 2015 on distribution of 5.15 billion rubles for subsidies for partial compensation of interest rates (investment loans) for construction and modernization of dairy farms. (<http://government.ru/docs/19325/>)
- GOR Order No.1634-p of August 25, 2015, on distribution of 400 million rubles to 25 provinces for grant support to agricultural consumer cooperatives. The subsidies are allocated within the framework of state program “Development of Agriculture and Market Regulation of Agricultural Products, Raw Material and Food for 2013-2020”. (<http://government.ru/docs/19425/>);
- GOR Order No. 1631-p of August 25, 2015 on distribution of 53.5 million rubles to 26 provinces to support processing of fine-wool and half-fine wool production. The subsidies are allocated within the framework of sub-program “Development of Livestock Sector, Processing and Marketing Livestock Products”. (<http://government.ru/docs/19426/>);
- GOR Order No. 1635-p of August 25, 2015 on increasing subsidies by 260.1 million rubles to support land reclamation in 54 provinces. Total amount of federal support allocated for land reclamation is 2,274 billion rubles. The subsidies are allocated with the framework of Federal Targeted Program “Development of Land Reclamation of Agricultural Lands for the Period 2014-2020” (<http://government.ru/docs/19433/>).

VPSS Will Stop Some Imports of Soybean Meal: On August 19, 2015 VPSS issued a warning to traders that it will stop imports of soybean meal arriving by rail via South-Western, Western and North-Western entrance points of the state boarder of the Russian Federation in some instances. The closure

of these entry points will start October 1, 2015 if these entry points are not properly equipped with inspection platforms, handrails, stairs and other equipment for taking samples from railcars, especially in winter, at night, and during rainy and windy weather. VPSS noted that absence of such equipment poses a threat to the health and lives of VPSS officials carrying out phytosanitary control on grain and grain products. <http://www.fsvps.ru/fsvps/news/14804.html>

Grain Stocks in Russia Reach 28.6 Million Metric Tons: According to the Russian State Statistical Data (Rosstat), as of August 1, 2015, grain stocks at farms, processing enterprises and elevators increased by 33 percent from July 1st and reached 28.6 MMT [1] . These stocks include carry-over grain from the previous marketing year and grain from the 2016 crop. The 2015 grain harvest began later than last year, and Russia's total grain stocks are 6 percent lower than on August 1, 2014.

However, the situation varies depending on the different regions of Russia: South of European Russia stocks are 16.33 MMT, or 12 percent higher than a year ago due to good crop and smaller than last year July exports, in the Central Federal District stocks are only 5.92 MMT, or 34 percent smaller than last year due to a late harvest. in Volga Valley and in Siberia stocks are 3.3 MMT and 1.75 MMT, respectively, or 9 and 15 percent lower than last year. In Volga Valley this is the result of a poor crop due to dryness, and in Siberia it is due to a delayed harvest.

http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d06/164zerno18.htm

GOR Supports Russian Agricultural Cooperatives: During the 3rd All-Russian Congress of Agricultural Cooperatives and Show “AgroRus – 2015” that took place in St. Petersburg from August 22 to August 30, 2015, the first Deputy Minister of Agriculture, Yevgeniy Gromyko, stated that “close collaboration between agricultural cooperatives and the government enabled the further development of the conception of agricultural cooperatives in Russia.” Mr. Gromyko briefed the participants on a number of support measures in place to help further develop such cooperatives. For example, he mentioned, that according to government Resolution No.623, as of June 25, 2015, 400 million rubles will be allocated from the federal budget for grants to develop processing, storage facilities and marketing of agricultural production. He also reported that as a result of the competition, 25 regions of Russia out of 41 applications were selected as the recipients of such support.

<http://www.mcx.ru/news/news/show/42509.355.htm>

GOR Establishes Mechanism for Subsidies Allocation to Forestry Facilities: On August 19, 2015, the GOR issued Resolution No.861 establishing the mechanism for allocation of subsidies to forestry production facilities for partial compensation of interest rates on credits received in the Russian credit organizations. The measure is meant to increase competitiveness of domestic high value wood products. The subsidies are allocated within the framework of sub-program “Forestry Sector” of the federal program “Industry Development and Increasing Competitiveness”.

<http://government.ru/docs/19409/>

Miratorg Certified for Beef Export to UAE: On August 19th, the Russian leading meat producer, ABH Miratorg, announced that the veterinary authorities of the United Arab Emirates (UAE) officially certified the company for beef exports to UAE. As reported by the company's web-site, the official state inspectors from UAE audited Miratorg's beef processing plant in Bryansk in July 2015. The plant is equipped with a special processing line for “Halal” beef production.

<http://www.miratorg.ru/sites/en/default.aspx>

New Chinese Fish Facilities Approved: VPSS confirmed it will include 200 Chinese fish processing enterprises into the Russian registry for export of products to the countries of the Eurasian Economic Union. <http://deita.ru/news/economy/15.08.2015/4949752-kitayskaya-ryba-zapolonit-polki->

[primorskikh-magazinov-/](#)

Ussuriysk Farmers Will Participate in Federal Grain Fund Formation: Officials from the Ussuriysk city administration, in cooperation with "Ussuriysk Mills" company representatives, volunteered to assist farmers in finding solutions to grain crop storage and sales problems. This federal program operated successfully for several years in Altai, Siberia, the Urals, and in the western regions of Russia. In Primorye, the program has not been implemented to date since the delivery of product to the nearest storage facilities has been too expensive. Now the elevator of "Ussuriysk Mills" is ready to receive grain, and has reportedly already become profitable.

<http://primamedia.ru/news/economics/19.08.2015/456056/predlozhenie-ob-uchastii-v-formirovanii-zernovogo-gosfonda-poluchili-fermeri-ussuri.html>

Pseudo-Scientific Approach Discourages Foreign Investors in the Far East: According to Ernst & Young (EY) managing partners in Russia, foreign investors in the Far East do not like to waste time on empty talk. Bureaucratic procedures, the opacity of Russian management schemes, and difficulties in cooperation with local authorities have also had a negative impact on operations with foreign partners. EY considers the following industries in the Far East as those with the greatest prospects: aerospace, shipbuilding, agriculture, logistics and the raw materials sector (in terms of high-tech processing of raw materials). The "Go East" investment strategy is primarily directed toward increasing demand in Asian markets.

<http://primamedia.ru/news/economics/19.08.2015/455994/okolonauchniy-podhod-otpugivaet-investorov-na-dalnem-vostoke---aleksandr-ivlev.html>

New Soybean Processing Plant in Amur Region: The construction of a soybean deep processing plant has begun in the Amur region. The company will produce oil, feed meal, soybean meal and lecithin. The plant will be the "anchor" of the "Belogorsk" territory of priority development, processing up to 240 MT of beans per year. The main sources for this investment were private funds and bank loans of 800 million rubles.

Currently the market of isolated soy protein production is fully occupied by foreign manufacturers.

According to the General Director of Amuragrocenter LLC., after launching the second stage of the plant, the enterprise will cover up to a quarter of the Russian market. <http://bfi-online.ru/rnews/index.html?kk=29e7be8220&msg=4498>

Sales of Dairy Products for Children Reached 14.8 MT: According to the "BusinesStat" research company, the Russian baby food market has remained stable for the last few years. Sales of products in 2012-2014 grew, on average, by 1 percent per year. One of the factors positively influencing the development of the market has become a steady increase in the number of births. In 2010, the number of newborns was 1.79 million, whereas in 2014 this figure reached 1.91 million, an increase of 6.6 percent. Another reason for the increase in sales has been changes in family lifestyles. More and more parents spend less time cooking at home and prefer using prepared infant formula, canned foods and porridges. Russian pediatricians recommend parents feed baby food to children up to three years of age and this has played an important role in the increase in sales. Dairy products for children became the fastest growing segment in terms of volume of sales. From 2010-2014, it increased from 3.8 MT to 14.8 MT. Also, one of the fastest growing categories during the same period was canned baby food, as sales of this product increased 74.1 percent from 156.7 MT to 272.8 MT.

<http://bfi-online.ru/rnews/index.html?kk=02b2d63c90&msg=4496>

Ministry of Agriculture Given Domestic Wine Production Authority: In accordance with Resolution No. 860 of August 19, 2015, the Ministry of Agriculture was given authority to develop and implement the federal policy and legal regulations in the sphere of domestic wine production, including

sparkling wine (Champagne). Previously, the authority belonged to the Federal Service on Alcohol Market Regulation. <http://government.ru/docs/19372/>

Alcoholic Beverage Importers Increase Prices: The recent depreciation of the Russian ruble forced importers of alcoholic beverages to increase prices on many products. Some importers announced an increase between 15 and 25 percent over current prices. (The ruble fell to below RUB 71/\$1 during trading in Moscow on August 24th, an 8 percent drop in the value compared to a week earlier.) Consumers could see price hikes as soon as September when the new prices will be passed to consumers via retailers. The price increases will likely lead to a further drop in demand for imported alcoholic beverages that, according to market analysts, has already declined between 35-45 percent during the first half of 2015. <http://www.kommersant.ru/doc/2795080>

Minister Tkachyov Proposes Labelling of Wines Produced From Imported Materials: Minister of Agriculture, Alexander Tkachyov, recently proposed requiring labels on wines manufactured in Russia from imported wine materials. A couple days earlier, Tkachyov criticized imported wine materials stating that selling such products under Russian brands was unacceptable. Tkachyov stated further that it is necessary to either significantly increase customs duties or to outright ban all imports of wine materials in order to stop such actions from taking place. On August 24th, First Deputy Minister of Agriculture Yevgeny Gromyko told journalists at the opening of the 24th Agropolis Exhibition in St. Petersburg that there would be no direct ban on the use of imported ingredients by Russian wine makers.

<http://tass.ru/ekonomika/2210350>

<http://top.rbc.ru/economics/23/08/2015/55d96a399a79476ddf89bf1d>

<http://tass.ru/ekonomika/2209185>

McDonald's Signs Deal to Expand in Russia: McDonald's will significantly expand its chain with up to 20 new franchises opening in 2016 in Russia's remote Siberian regions of Kemerovo, Novosibirsk, Tomsk and Altai. The total investment in the project is about 3 billion rubles (\$44 million). McDonald's signed its first franchising deal in 2012, with Russian company Rosinter. According to this agreement, Rosinter has the right to open McDonald's outlets at railway stations and airports, but so far has opened only two branches inside St. Petersburg's Pulkovo Airport. Currently McDonald's operates 517 restaurants in Russia and as of 2014, revenues totaled 65.8 billion rubles.

<http://www.kommersant.ru/doc/2792557>

<http://www.themoscowtimes.com/business/article/mcdonalds-signs-major-franchising-deal-to-expand-to-russias-siberia/528391.html>

Draft Unified EAEU Phytosanitary Requirements Open for Comments: The Eurasian Economic Commission (EEC), the working body for the Armenia-Belarus-Kazakhstan-Kyrgyzstan-Russia Eurasian Economic Union (EAEU), published draft unified EAEU Phytosanitary Requirements for public comments on its website. According to the EEC, the draft requirements should come into force as of January 1, 2017.

<https://docs.eaeunion.org/ru-ru/Pages/DisplayRIA.aspx?s=e1f13d1d-5914-465c-835f-2aa3762eddda&w=9260b414-defe-45cc-88a3-eb5c73238076&l=d70984cf-725d-4790-9b12-19604c34148c&EntityID=756>

EAEU Decreases Import Tariffs as of September 1, 2015: In line with Russia's WTO tariff reduction commitments, the Eurasian Economic Union will decrease its import tariffs on over 4,000

tariff items, including agricultural goods, as of September 1, 2015. According to the EEC Minister for Trade Andrey Slepnev, as a result of this round of reductions, the arithmetic mean rate of EAEU tariffs for agricultural goods will go down from 13.88 to 13.28 per cent. <http://tass.ru/ekonomika/2208675>

Eurasian Economic Union Announces 2016 TRQs: On August 20, 2015, the EEC published Decision No. 99 of August 18, 2015, establishing tariff-rate quotas (TRQs) and respective volumes for imports of meat, poultry and whey into the EAEU countries. Unchanged from 2015, Russia's TRQ volumes appear consistent with its WTO commitments. Belarus TRQ volumes also remained unchanged, while Kazakhstan will increase access for beef and poultry, and slash its TRQ for pork in 2016. The EEC decision does not establish any TRQs for new EAEU members Armenia and Kyrgyzstan.

<https://docs.eaeunion.org/ru-ru/Pages/DisplayDocument.aspx?s={e1f13d1d-5914-465c-835f-2aa3762eddda}&w=9260b414-defe-45cc-88a3-eb5c73238076&l={8a412e96-924f-4b3c-8321-0d5e767e5f91}&EntityID=8316>

^[1] Grain stocks in Crimea are not included.